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FISCAL IMPACT REPORT

SPONSOR SFCS DATE TYPED 3/3/07 HB _____

SHORT TITLE Cigarette Tax Revenue Distributions SB 52/SFCS

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI					

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$250.0)		15 years	Recurring	NMFA (Cigarette Tax Distribution)

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Finance Committee Substitute for Senate Bill 52 authorizes the New Mexico Finance Authority to issue revenue bonds secured by a distribution of cigarette taxes in an amount not to exceed \$2.5 million for the behavioral health capital fund.

Significant Issues

The 2004 Legislature enacted the Behavioral Health Capital Funding Act to create a loan program for funding capital projects for nonprofit behavioral health facilities with assets totaling less than \$10 million with 501© (3) nonprofit status, serving primarily sick and indigent persons.

Eligible expenditures included the purchase of land, acquisition of capital equipment of a long-term nature, repair, renovation or construction of behavioral health facilities. The Act required the Department of Health and NMFA to jointly adopt rules and procedures necessary to implement the provisions of the Act. NMFA is responsible for all financial aspects of the program and DOH is responsible for defining sick and medically indigent persons. However, the program was not funded.

Senate Finance Committee Substitute for Senate Bill 52 proposes to redirect NMFA's 2.04% portion of the cigarette tax currently being used for administrative costs, approximately \$1.2 million annually, to secure up to \$2.5 million in bonds for the behavioral health capital fund. According to NMFA, current revenues from the cigarette tax revenues should be adequate to provide the necessary debt payments and reserve for the \$2.5 million bond issue proposed in this bill.

FISCAL IMPLICATIONS

According to NMFA, the nature of cigarette taxes and public health policy necessitate cigarette tax bond issuers to provide for excess coverage in the later years of the bond. Therefore, any debt NMFA issues from cigarette taxes must provide for excess coverage in later years. Inasmuch as NMFA will be paying debt service on the 2002 UNM Law Library project, NMFA must have access to its administrative "reserve" to enable it to meet debt service in later years.

OTHER SUBSTANTIVE ISSUES

The 1993 Legislature authorized NMFA to sell \$6 million in revenue bonds to plan, design construct and equip an addition to the University of New Mexico Cancer Center. The Legislature dedicated 7.125% of cigarette tax receipts, exclusive of penalties and interest, for the repayment of the revenue bonds. The 1998 Legislature authorized NMFA to issue up to \$4 million in bonds payable from the Public Project Revolving Fund for the purpose of acquiring, constructing, equipping or improving Bratton Hall at the UNM Law School. In August 1998, the NMFA board approved a \$4 million financing package for the UNM Law School. The package included \$2 million in cash from cigarette tax revenue that had been dedicated to NMFA bonds issued to finance the UNM Cancer Center Project but which had not been used to pay debt service. The package also included the issuance of approximately \$2.06 million in bonds backed by available cigarette tax revenues and the Public Project Revolving Fund.

Distributions authorized for the UNM Hospital and the Cancer Research and Treatment Center at the UNM Health Sciences Center and to the credit enhancement account were added by the 2003 Legislature and NMFA was authorized to issue \$60,000,000 in bonds to finance the UNM Health Sciences Center Project. The Legislature specified that the university distribution and the credit enhancement distribution were appropriated to be pledged irrevocably for the payment of principal, interest, and any premium on the bonds. The university distribution is to be deposited into a separate fund or account of the NMFA, which is held by the trustee under the indenture as the "UNM Health Sciences Center Project Revenue Fund". The credit enhancement distribution is required to be deposited each month in the credit enhancement account held by the NMFA. As provided by NMFA, the following is the current distribution of Net Cigarette Tax Receipts:

**Distribution of Net Cigarette Tax Receipts
August 2003 Through July 2004**

<u>Entity/Fund</u>	<u>% Distribution</u>	<u>FY 2003-04 Distribution⁽¹⁾</u>
County and Municipality Recreation Fund	1.36%	\$ 828,638
County and Municipal Cigarette Tax Fund	2.72%	1,657,275
UNM Cancer Research & Treatment Center	1.36%	828,638
NMFA (Operating Expenses)	2.04%	1,242,957
NMFA (UNM Health Sciences Center)	14.52%	8,846,926
NMFA (Dept. of Health facilities)	6.11%	3,722,777
NMFA (Credit Enhancement Account)	15.95%	9,718,214
State General Fund	<u>55.94%</u>	<u>34,083,817⁽²⁾</u>
Aggregate Receipts Collected	100.00%	\$ 60,929,241

⁽¹⁾ Numbers do not add due to independent rounding.

⁽²⁾ Includes miscellaneous amounts paid as a result of out-of-State stamping privileges and consumption taxes.
Source: Taxation and Revenue Department.

LMK/yr